First Trust DATAWATCH

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March Retail Sales

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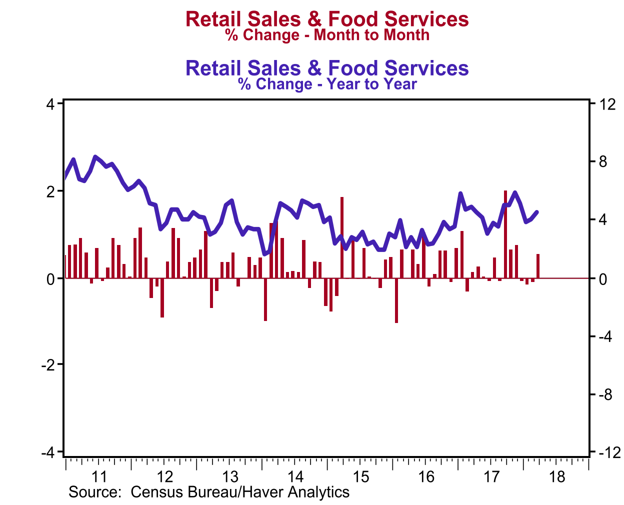
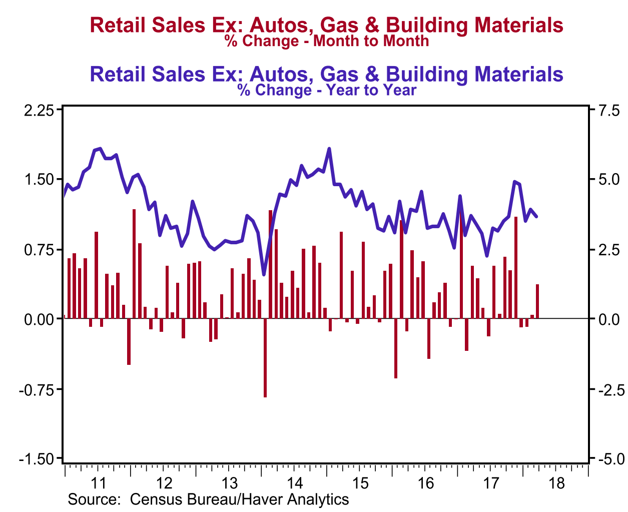
- Retail sales rose 0.6% in March (+0.5% including revisions to prior months), beating the consensus expected 0.4% gain. Retail sales are up 4.5% versus a year ago.
- Sales excluding autos increased 0.2% in March (+0.3% including revisions to prior months). The consensus expected a 0.2% gain. These sales are up 4.5% in the past year. Excluding gas, sales were up 0.6% in March, and are up 4.0% from a year ago.
- The gain in sales in March was led by autos and non-store retailers (internet and mail-order). The largest decline was for building materials.
- Sales excluding autos, building materials, and gas rose 0.4% in March (+0.3% including revisions to prior months). These sales were up at an 1.6% annual rate in Q1 versus the Q4 average.





Implications: Retail sales rebounded in March, rising for the first time in four months and beating consensus expectations. Retail sales rose 0.6% in March driven by gains in autos and internet & mail-order sales. It looks like the lull after the post-hurricane spending spree, which pulled sales forward into last Fall, is now over. It was a solid report all around as eight of 13 major categories showed gains. Retail sales are up a healthy 4.5% from a year ago, both overall and excluding auto sales. That being said, plugging today's report into our GDP models suggests real consumer spending will be up at a roughly 1.2% annual rate in Q1, the slowest pace for any quarter in almost five years. As a result, it now looks like real GDP only grew at about a 2.0% annual rate in Q1. However, this has more to do with the timing of economic growth than the trend. We remain very optimistic about an acceleration of growth in 2018 and still expect growth of 3.0%+ for the year, which would be the best since 2005. As we get back to normal, expect overall retail sales to continue the trend higher in the months to come. Why are we optimistic about retail sales growth in the months ahead? Jobs and wages are moving up, tax cuts are taking effect, consumers' financial obligations are less than average relative to incomes, and serious (90+ day) debt delinquencies are down substantially from post-recession highs. In other news this morning, the Empire State index, a measure of manufacturing sentiment in New York, declined to a still very healthy 15.8 in April from 22.5 in March. Also today, the NAHB index, which measures homebuilder sentiment, fell slightly to 69 in April from 70 in March, remaining at a historically elevated level signaling optimism among builders.

Retail Sales *All Data Seasonally Adjusted*	Mar-18	Feb-18	Jan-18	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr to Yr % Change
Retail Sales and Food Services	**0.6%**	-0.1%	-0.2%	1.3%	3.5%	4.5%
Ex Autos	**0.2%**	0.2%	0.1%	2.0%	4.4%	4.5%
Ex Autos and Building Materials	**0.3%**	0.1%	0.2%	2.1%	4.7%	4.3%
Ex Autos, Building Materials and Gasoline	**0.4%**	0.1%	-0.1%	1.5%	3.9%	3.7%
Autos	**2.0%**	-1.3%	-0.9%	-1.0%	-0.1%	4.5%
Building Materials	**-0.6%**	2.0%	-1.8%	-1.8%	0.5%	5.3%
Gasoline	**-0.3%**	0.1%	2.0%	7.0%	11.1%	9.7%

Source: Bureau of Census